

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**

**REPORT ON AUDIT OF COMPONENT  
UNIT FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH  
DENHAM SPRINGS, LOUISIANA**

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2012

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**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH  
DENHAM SPRINGS, LOUISIANA**

**FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2012

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May 21, 2013

### INDEPENDENT AUDITOR'S REPORT

Board Members of  
Ward Two Water District of Livingston Parish  
Denham Springs, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Ward Two Water District of Livingston Parish as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Ward Two Water District of Livingston Parish's December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Emphasis of Matter**

As described in Note 17 to the financial statements, in 2012, Ward Two Water District of Livingston Parish adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ward Two Water District of Livingston Parish's basic financial statements. The schedules listed in the Table of Contents as Schedule 1 through Schedule 3 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, identified on the Table of Contents as Schedule 4, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

Schedules 1 through Schedule 3 and the schedule of expenditures of federal awards, Schedule 4, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ward Two Water District of Livingston Parish's internal control over financial reporting and compliance.

Respectfully submitted,

*Hannus L. Bourgeois, CPA*



Ward Two Water District of Livingston Parish  
Denham Springs, Louisiana  
Management's Discussion and Analysis  
December 31, 2012

## **Introduction**

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments (GASB 34)*, and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

## **Financial Highlights**

- At December 31, 2012, total assets and deferred outflows of resources were \$37,644,905, and exceeded liabilities in the amount of \$12,588,518 (i.e., net position). Of the total net position, \$1,624,466 was unrestricted and available to support short-term operations; \$3,421,935 was restricted for capital projects and debt service, with the balance of \$7,542,117 invested in capital assets, net of related debt.
- For the year ended December 31, 2012, user fee revenues (water sales) decreased two percent to \$4,946,969 as compared to \$5,051,244 for the fiscal year ended December 31, 2011.
- The District's expenses increased 9% percent to \$5,204,026 as compared to \$4,761,977.
- The District had asset improvements placed in service of \$4,668,273 during the year ended December 31, 2012.

The reasons for the above changes, and for other changes in the financial position of the District, are discussed following the financial statement tables and presentations within the Management Discussion and Analysis.

## **Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, and key information schedules on operation of the District.

## **Financial Analysis**

The purpose of financial analysis is to help determine whether Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.



Condensed Balance Sheets  
December 31, 2012 and 2011

	2012	2011	Dollar Change	Percentage Change
Assets:				
Current Assets	\$ 6,849,058	\$ 6,986,966	\$ (137,908)	(2%)
Noncurrent Assets:				
Other Assets	492	492	-	0%
Capital Assets	29,952,301	28,306,535	1,645,766	6%
Total Assets	<u>36,801,851</u>	<u>35,293,993</u>	<u>1,507,858</u>	4%
Deferred Outflows of Resources:				
Deferred Amount on Refunding of Debt	843,054	154,074	688,980	447%
Total Assets and Deferred Outflows of Resources	<u>37,644,905</u>	<u>35,448,067</u>	<u>2,196,838</u>	6%
Liabilities:				
Current Liabilities	4,648,407	7,114,588	(2,466,181)	(35%)
Long Term Liabilities	20,407,980	16,758,425	3,649,555	22%
Total Liabilities	<u>25,056,387</u>	<u>23,873,013</u>	<u>1,183,374</u>	5%
Net Position:				
Invested in Capital Assets, Net of Related Debt	7,542,117	6,445,090	1,097,027	17%
Restricted for Capital Activity and Debt Service	3,421,935	3,256,227	165,708	5%
Unrestricted	1,624,466	1,873,737	(249,271)	(13%)
Total Net Position	<u>\$ 12,588,518</u>	<u>\$ 11,575,054</u>	<u>\$ 1,013,464</u>	9%

The major components of change for "Current Assets" were primarily decreases of Cash and Cash Equivalents of \$191,087 and an increase in Inventory of \$50,104.

"Capital Assets" increased by \$1,645,766 primarily from additions to construction projects combined with the effect of depreciation expense recorded of \$1,009,880. \$2,721,937 of the increase is related to net current year purchases.

"Deferred Amount on Refunding of Debt" increased by \$688,980. The primary reason for the increase is due to the advance refunding of the Series 2004 bonds which resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$710,232 which was deferred.

"Total Liabilities" increased by \$1,183,374 primarily from changes in Short Term and Long Term Debt. The repayment of regular scheduled principal payment caused a decrease of \$1,132,000. The District also refunded several bonds during the year and in doing so issued additional refunding bonds. There was a net increase in debt of \$1,013,000 due to the refunding. In addition, the District had a net increase of \$1,309,609 due to draws and debt forgiveness on the bond anticipation note of an authorized \$8,000,000 Series 2011A Revenue Bond. Construction is expected to be finalized in 2014 for the 2011A Bond.



Condensed Statement of Revenues, Expenses and Changes in Net Position  
For the Years Ended December 31, 2012 and 2011

	2012	2011	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 5,453,877	\$ 5,574,442	\$ (120,565)	(2%)
Nonoperating Revenues	763,613	56,422	707,191	1253%
Total Revenues	<u>6,217,490</u>	<u>5,630,864</u>	<u>586,626</u>	10%
Expenses:				
Depreciation	1,009,880	908,237	101,643	11%
Other Operating Expenses	2,960,321	2,979,720	(19,399)	(1%)
Nonoperating Expenses	1,233,825	874,020	359,805	41%
Total Expenses	<u>5,204,026</u>	<u>4,761,977</u>	<u>442,049</u>	9%
Change in Net Position	1,013,464	868,887	144,577	17%
Beginning Net Position, As Restated	11,575,054	10,706,167	868,887	8%
Ending Net Position	<u>\$ 12,588,518</u>	<u>\$ 11,575,054</u>	<u>\$ 1,013,464</u>	9%

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's is being conservatively managed in a time of expansion. The District has grown from a customer base of approximately 7,000 in 1998 to billable customers totaling 18,125 at fiscal year end. The total number of customers increased by 182 for the year ended December 31, 2012 or one percent from the prior year.

Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) decreased by \$120,565 (two percent) for the fiscal year ended December 31, 2012 after a \$485,641 (ten percent) increase for the year ended December 31, 2011. The decrease in Operating Revenues for 2012 was caused by a decrease in water consumption because of an unusually wet summer. The increase in Operating Revenues in 2011 was caused by an increase in water rates that was effective January 1, 2011. Nonoperating Revenues increase is due to \$702,102 in debt forgiveness on the 2011A bonds.

Total expenses increased by \$442,049 from the prior year and reflecting a \$359,805 increase in nonoperating expenses as well as a \$101,643 increase in depreciation expense. These were offset by a decrease in other operating expenses of \$19,399.

The above changes resulted in an increase in Net Position of \$1,013,464 for the year ended December 31, 2012, as compared to an increase in net position of \$868,887 for the year ended December 31, 2011.

## Budgetary Highlights

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana adopts an annual operating budget and reviews budget-to-actual performance on a monthly basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

### Condensed Statement of Revenues, Expenses and Changes in Net Position Budget (GAAP Basis) and Actual For the Year Ended December 31, 2012

	Final Budget December 31, 2012	Actual December 31, 2012	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 5,497,500	\$ 5,453,877	\$ (43,623)
Nonoperating Revenues	103,500	763,613	660,113
Total Revenues	<u>5,601,000</u>	<u>6,217,490</u>	<u>616,490</u>
Expenses:			
Depreciation	935,000	1,009,880	(74,880)
Other Operating Expenses	3,021,800	2,960,321	61,479
Nonoperating Expenses	875,000	1,233,825	(358,825)
Total Expenses	<u>4,831,800</u>	<u>5,204,026</u>	<u>(372,226)</u>
Change in Net Assets	769,200	1,013,464	244,264
Beginning Net Assets, As Restated	11,575,054	11,575,054	-
Ending Net Assets	<u>\$ 12,344,254</u>	<u>\$ 12,588,518</u>	<u>\$ 244,264</u>

Actual Operating Revenues were below budgeted Operating Revenues by about one percent. Nonoperating Revenues were above budgeted revenues because of \$702,102 in debt forgiveness on the 2011A DHH bonds that was not included in the final budget. Actual Other Operating Expenses were below budgeted amounts. Actual Nonoperating Expenses are above budgeted amounts by \$358,825. One of the reasons for being above budget is due to implementation of GASB statement 65, "Items Previously Reported as Assets and Liabilities", which requires debt issuance cost to be recognized as expense in the period incurred. There was \$481,145 in debt issuance cost recognized in 2012 due to the refunding of debt which was not included in the final budget. Also interest expense which is included in Nonoperating Expenses was \$180,066 less than the budgeted amount.



## Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

### General Operating Data

As of December 31, 2012 and 2011, the District had the following number of customers:

	December 31, 2012	December 31, 2011	Increase (Decrease)
Customers			
Residential	17,078	16,873	205
Nonresidential	1,047	1,070	(23)
Total Customers	<u>18,125</u>	<u>17,943</u>	<u>182</u>

### Revenue and Expense Data Per Customer Per Month

	December 31, 2012	December 31, 2011	Increase (Decrease)	Percentage Change
Water Sales	22.74	23.46	(0.72)	(3%)
Operating Revenues	25.08	25.89	(0.81)	(3%)
Total Revenues	28.59	26.15	2.44	9%
Operating Expenses	18.25	18.06	0.19	1%
Total Expenses	23.93	22.12	1.81	8%

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ended December 31, 2012 and 2011.

	December 31, 2012	December 31, 2011	Increase (Decrease)
Accounts Receivable			
Current	\$ 266,772	\$ 251,123	\$ 15,649
31-60 Days Past Due	4,417	5,377	(960)
61-90 Days Past Due	2,055	2,356	(301)
Over 90 Days Past Due	14,016	13,422	594
Subtotal	<u>287,260</u>	<u>272,278</u>	<u>14,982</u>
Allowance for Uncollectible Accounts	<u>(13,422)</u>	<u>(13,422)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 273,838</u>	<u>\$ 258,856</u>	<u>\$ 14,982</u>

## Capital Assets and Debt Administration

### Capital Assets

At the end of the fiscal year ended December 31, 2012, Ward Two Water District of Livingston Parish, Denham Springs, Louisiana had \$29,952,301 (net of accumulated depreciation) recorded in capital assets. The District continues to make additions to its water system to meet the demands of its increasing customer base. The changes in capital assets are presented in the table below.

	December 31, 2012	December 31, 2011	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 295,624	\$ 361,915	\$ (66,291)	(18%)
Construction in Progress	2,467,187	4,413,523	(1,946,336)	(44%)
Utility System	35,801,570	31,241,149	4,560,421	15%
Buildings	571,867	571,867	-	0%
Equipment	1,262,482	1,321,689	(59,207)	(4%)
Furniture and Fixtures	28,155	28,155	-	0%
Vehicles	334,078	331,131	2,947	1%
Subtotal	40,760,963	38,269,429	2,491,534	7%
Less: Accumulated Depreciation	(10,808,662)	(9,962,894)	(845,768)	8%
Net Capital Assets	<u>\$ 29,952,301</u>	<u>\$ 28,306,535</u>	<u>\$ 1,645,766</u>	6%

### Long-Term Debt

The primary source of long-term financing for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana are seven series of existing bonds financed by financial institutions and various government agencies. During 2012, the District refunded several series of bonds in order to reduce interest expense and fees over the life of the bonds. The refunding of the Series 2000 bonds and Series 2005 bonds resulted in a decrease of total debt service payments over the next 14 years by \$728,956 and resulted in an economic gain of \$628,526. The partial refunding of the Series 2004 bonds resulted in a decrease of total debt service payments over the next 17 years by \$585,966 and an economic gain of \$480,303. Details including balances, payments, and interest rates are included in Footnote 6 - Long-Term Debt.

Bonds financed for Ward Two Water District of Livingston Parish, Denham Springs, Louisiana require a specific debt service to net income ratio, referred to as the "Bond Debt Coverage Ratio" in Footnote 7 - Long Term Debt Restricted Assets and Bond Covenant Requirements. This ratio, described in Footnote 7, measures the extent to which revenues of the District are sufficient to cover the costs of operation and debt service including annual installments for debt service and required deposits to the Sinking Fund, Reserve Fund, and Renewal and Replacement Fund. The ratio of revenue to operating expenses, exclusive of non-cash flow items such as depreciation, and amortization, and the aforementioned debt requirements must equal at least 125%. For existing bonds at December 31, 2012, the Bond Debt Coverage Ratio exceeded the 125% requirement.



## **Future Economic Plans**

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana's management approach has been conservative when estimating revenues and expenses of operation, but has been aggressive to meet the needs of a rapidly expanding water system. During 2010, the District, based on the District's consulting engineer's recommendation, approved resolutions authorizing additional loan proceeds from the Department of Health and Hospitals (DHH) to fund a maximum of Twelve Million (\$12,000,000) in construction improvements and expansions. Funds are to be repaid with a pledge of revenues by the District. During 2012, the District completed the construction and placed in service the improvement and expansions related to the \$4,000,000 Series 2010A Revenue Bonds. The District closed the loan on the \$8,000,000 Series 2011A Bonds during the fourth quarter of 2011, and began construction in the first quarter of 2012. At fiscal year end, the District had received \$2,340,340 (\$702,102 which has been forgiven) in bond anticipation notes of an authorized \$8,000,000 Series 2011A Revenue Bond and construction is expected to be finalized in 2014. During 2012, the District fully refunded the Series 2000 bonds and Series 2005 bonds and partially refunded the Series 2004 bonds in order to reduce interest expense and fees over the life of the bonds. The new refunding bonds are classified as the 2012A, 2012B, 2012C and 2012D bonds.

## **Contacting the District's Management**

This financial report is designed to provide a general overview of the finances of Ward Two Water District of Livingston Parish, Denham Springs, Louisiana, for all those interested in the District's finances. Questions regarding any of the information in this report or request for additional information should be addressed to Manager, Ward Two Water District of Livingston Parish, Post Office Box 637, Denham Springs, Louisiana 70727.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

BALANCE SHEET

DECEMBER 31, 2012

(With Comparative Totals as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,466,571	\$ 1,641,554
<b>Receivables:</b>		
Accounts (Net of Allowance for Uncollectible Accounts of \$13,422)	273,838	258,856
Unbilled Water Sales	241,587	240,944
Other	41,154	41,154
	<u>556,579</u>	<u>540,954</u>
<b>Restricted Assets:</b>		
Cash and Cash Equivalents -		
Cash for Customer Deposits	371,648	371,276
Bond Covenant Accounts	3,425,553	3,233,983
Construction Account	150,342	358,388
	<u>3,947,543</u>	<u>3,963,647</u>
Due from Other Governments	362,248	359,874
	<u>4,309,791</u>	<u>4,323,521</u>
<b>Inventory</b>	409,928	359,824
<b>Prepaid Insurance</b>	106,189	121,113
Total Current Assets	<u>6,849,058</u>	<u>6,986,966</u>
<b>Noncurrent Assets:</b>		
Deposits	492	492
<b>Capital Assets:</b>		
Land and Construction in Progress	2,762,811	4,775,438
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	27,189,490	23,531,097
Total Capital Assets	<u>29,952,301</u>	<u>28,306,535</u>
Total Noncurrent Assets	<u>29,952,793</u>	<u>28,307,027</u>
Total Assets	<u>36,801,851</u>	<u>35,293,993</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred Amount on Refunding of Debt	843,054	154,074
Total Assets and Deferred Outflows of Resources	<u>\$ 37,644,905</u>	<u>\$ 35,448,067</u>

The accompanying notes constitute an integral part of this statement.

	2012	2011
<b><u>Liabilities</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 250,428	\$ 136,784
Accrued Payables	43,760	53,228
Construction Payable	362,249	483,304
Accumulated Unpaid Vacation	9,993	10,281
Customer Deposits	952,780	930,340
Bond Anticipation Note Payable	1,638,238	4,327,629
Bonds Payable - Current Portion	1,237,000	960,308
Accrued Interest on Bonds Payable	153,959	212,714
Total Current Liabilities	4,648,407	7,114,588
<b>Noncurrent Liabilities:</b>		
Bonds Payable	20,378,000	16,727,582
Accumulated Unpaid Vacation	29,980	30,843
Total Long-Term Liabilities	20,407,980	16,758,425
Total Liabilities	25,056,387	23,873,013
<b><u>Net Position</u></b>		
Investment in Capital Assets, Net of Related Debt	7,542,117	6,445,090
Restricted for:		
Capital Projects and Debt Service	3,421,935	3,256,227
Unrestricted	1,624,466	1,873,737
Total Net Position	12,588,518	11,575,054
Total Liabilities and Net Position	\$ 37,644,905	\$ 35,448,067

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
Operating Revenues:		
Water Sales	\$ 4,946,969	\$ 5,051,244
Water Tap Fees	121,350	148,460
Service Charges	173,160	173,840
Penalty Charges	79,228	77,823
Sewer Billing Fees	61,247	60,813
Other	71,923	62,262
Total Operating Revenues	5,453,877	5,574,442
Operating Expenses:		
Personal Services and Benefits	1,379,857	1,379,451
Bad Debts	11,896	10,624
Bank Fees	63,805	52,735
Contractual Services	333,032	353,289
Depreciation	1,009,880	908,237
Insurance	168,115	183,558
Office Expense	175,199	148,169
Repairs and Maintenance	365,448	381,398
Supplies	131,705	126,280
Utilities	230,625	252,016
Vehicle Expense	100,639	92,200
Total Operating Expenses	3,970,201	3,887,957
Operating Income	1,483,676	1,686,485
Nonoperating Revenues (Expenses):		
Interest Income	2,620	7,460
Interest Expense	(679,934)	(802,396)
Loan Forgiveness	702,102	-
Loss on Disposal of Assets	(7,537)	-
Debt Issuance Cost	(481,145)	(68,932)
Land Mitigation Cost	(71,400)	-
Other Income	66,428	48,962
Other Expense	(1,346)	(2,692)
Total Nonoperating Revenues (Expenses)	(470,212)	(817,598)
Change in Net Position	1,013,464	868,887
Net Position - Beginning of Year, As Restated	11,575,054	10,706,167
Net Position - End of Year	\$ 12,588,518	\$ 11,575,054

The accompanying notes constitute an integral part of this statement.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 5,426,356	\$ 5,485,749
Cash Payments to Suppliers for Goods and Services	(1,490,104)	(1,608,055)
Cash Payments to Employees for Services and Benefits	(1,390,476)	(1,365,931)
Other Receipts (Payments)	(4,972)	48,962
Net Cash Provided by Operating Activities	2,540,804	2,560,725
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(2,817,554)	(2,709,558)
Proceeds from Sale of Assets	58,754	-
Interest Expense Paid that was Capitalized	(25,437)	(85,106)
Interest Expense Paid on Bonds Not Capitalized	(717,438)	(760,622)
Proceeds from Issuance of Debt	19,099,337	2,558,824
Principal Repayment on Debt	(17,209,000)	(926,000)
Debt Issuance Cost Paid	(481,145)	(68,932)
Net Deferred Refunding Amount	(664,468)	-
Net Receipts from Customer Deposits	22,440	32,070
Net Cash Used in Capital and Related Financing Activities	(2,734,511)	(1,959,324)
<b>Cash Flows from Investing Activities:</b>		
Interest Income Received	2,620	7,460
Net Cash Provided by Investing Activities	2,620	7,460
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(191,087)	608,861
<b>Cash and Cash Equivalents, Beginning of Year</b>	5,605,201	4,996,340
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,414,114</u>	<u>\$ 5,605,201</u>

(CONTINUED)



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income	\$ 1,483,676	\$ 1,686,485
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,009,880	908,237
Provision for Bad Debt	11,896	10,624
Land Mitigation Cost	(71,400)	-
Miscellaneous Revenues	66,428	48,962
(Increase) Decrease in Accounts Receivable	(26,878)	(26,304)
(Increase) Decrease in Unbilled Receivable	(643)	(21,235)
(Increase) Decrease in Other Receivable	-	(41,154)
(Increase) Decrease in Inventory	(50,104)	(70,061)
(Increase) Decrease in Prepaid Insurance	14,924	(2,672)
Increase (Decrease) in Accounts Payable	113,644	54,323
Increase (Decrease) in Compensated Absences	(1,151)	2,582
Increase (Decrease) in Accrued Expenses	(9,468)	10,938
Net Cash Provided by Operating Activities	<u>\$ 2,540,804</u>	<u>\$ 2,560,725</u>
<b>Schedule of Noncash Capital and Related Financing Activities:</b>		
Amortization of Bond Premiums and Discounts - Net	<u>\$ 1,346</u>	<u>\$ 2,692</u>
Amortization of Advanced Refunding Difference	<u>\$ 21,251</u>	<u>\$ 21,251</u>
Loan Forgiveness	<u>\$ 702,102</u>	<u>\$ -</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and Cash Equivalents, Unrestricted	\$ 1,466,571	\$ 1,641,554
Cash and Cash Equivalents, Restricted	<u>3,947,543</u>	<u>3,963,647</u>
Total Cash and Cash Equivalents	<u>\$ 5,414,114</u>	<u>\$ 5,605,201</u>

The accompanying notes constitute an integral part of this statement.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012

#### **(1) Organization, Nature of Operations, and Summary of Significant Accounting Policies -**

##### **A. Organization and Nature of Operations**

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana was created by the Livingston Parish Council on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et.seq., of the Louisiana Revised Statutes of 1950.

The District is located in rural Livingston Parish, Louisiana. The purpose of the District is to provide water to customers within the boundaries of the District. The District is composed of five board members who are appointed by the Parish Council of Livingston. Board members are compensated for meeting attendance at the rate of \$100 per meeting. The District serves approximately one third of Livingston Parish. The areas of service are in the western portion of the parish, north of Florida Boulevard and a small area south of Florida Boulevard between Denham Springs and Walker. The District has twenty-nine full time and two part time employees. As of December 31, 2012 there were 18,125 metered customers, representing an increase in customers of 182 from the prior fiscal year. The District covers an area which includes over three hundred miles of water main lines.

##### **B. Financial Reporting Entity**

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the Livingston Parish Council.

The accompanying financial statements present information only on the activities and the fund maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Governmental Accounting Standards Board (GASB) Statement 61.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred or economic asset used. The District follows the guidance included in GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The statement of revenues, expenses and changes in net position includes all charges for services and costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

#### E. Inventories

Inventory held primarily consists of supplies for system maintenance and is valued at cost using the first-in / first-out method. Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

#### F. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums at December 31, 2012.

#### G. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. In addition, certain resources are set aside to reimburse customers their utility deposits upon discontinuance of service.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### H. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. In addition, the District capitalizes all costs of water and sewer taps. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 40
Machinery and Equipment	5 to 10
Furniture and Fixtures	5 to 10
Vehicles	5
Utility System	40

#### I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### J. Accumulated Unpaid Vacation and Sick Pay

The District provides various forms of compensated leave benefits to its employees. An employee can earn sick leave and vacation leave based upon the number of hours worked each pay period and years of continuous employment. At termination or retirement only unused vacation time can be paid to the employee. As a result, only the amount of unused vacation time is accrued in the District's basic financial statements.

GASB Statement Number 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In accordance with GASB-16, Accounting for Compensated Absences, no liability has been accrued for unused employee sick leave.

#### K. Long-Term Obligations

Long-term liabilities are recognized within the Proprietary Fund. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. Prepaid insurance costs related to debt issuance is reported as an asset and recognized over the life of the related debt.

#### L. Net Position

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net position, the difference between the District's assets, deferred outflows of resources, and liabilities, into three components, as described below:

- Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, or indebtedness attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset calculation as unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### M. Summary Financial Information for 2011 and Reclassification

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Certain items in the 2011 columns have been reclassified to conform to the presentation in the current year financial statements.

#### (2) **Cash and Cash Equivalents -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit with original maturity dates of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Cash and cash equivalents and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents and investments at December 31, 2012:

	<u>Book Balance</u>	<u>Bank Balance</u>
Petty Cash	\$ 1,000	\$ -
Demand Deposits and Savings Accounts	1,987,561	2,384,998
Restricted Cash Held in Bank Trust Accounts	<u>3,425,553</u>	<u>3,425,553</u>
	<u>\$5,414,114</u>	<u>\$5,810,551</u>

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The restricted cash balance of \$3,425,553 is fully collateralized above the Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 since the financial institution's trust department is required to be fully collateralized. At December 31, 2012, \$1,884,998 of the District's demand deposits and savings account balance of \$2,384,998 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **(3) Receivables -**

The following is a summary of receivables at December 31, 2012:

Accounts Receivable:	
Current	\$ 266,772
31-60 Days Past Due	4,417
61-90 Days Past Due	2,055
Over 90 Days Past Due	<u>14,016</u>
Subtotal	287,260
Less: Allowance for Uncollectible Accounts	<u>(13,422)</u>
Net Accounts Receivable	<u><u>\$ 273,838</u></u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for uncollectible accounts is adjusted to a reasonable estimate of collectability. Bad debt expense totaled \$11,896 for the year ended December 31, 2012.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the year. At December 31, 2012, accrued amounts were \$241,587.

# WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

### (4) Capital Assets -

A summary of changes in capital assets during the year ended December 31, 2012 is as follows:

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Capital Assets not being Depreciated:				
Land	\$ 361,915	\$ -	\$ (66,291)	\$ 295,624
Construction in Progress	4,413,523	2,500,270	(4,446,606)	2,467,187
Total Capital Assets not being Depreciated	4,775,438	2,500,270	(4,512,897)	2,762,811
Capital Assets being Depreciated:				
Buildings and Improvements	571,867	-	-	571,867
Equipment	1,321,689	60,002	(119,209)	1,262,482
Furniture and Fixtures	28,155	-	-	28,155
Vehicles	331,131	47,850	(44,903)	334,078
Utility System	31,241,149	4,560,421	-	35,801,570
Total Capital Assets being Depreciated	33,493,991	4,668,273	(164,112)	37,998,152
Less Accumulated Depreciation for:				
Buildings and Improvements	174,230	14,385	-	188,615
Equipment	1,030,257	65,038	(119,209)	976,086
Furniture and Fixtures	20,487	1,794	-	22,281
Vehicles	307,347	21,059	(44,903)	283,503
Utility System	8,430,573	907,604	-	9,338,177
Total Accumulated Depreciation	9,962,894	1,009,880	(164,112)	10,808,662
Total Capital Assets being Depreciated, Net	23,531,097	3,658,393	-	27,189,490
Total Capital Assets, Net	\$ 28,306,535	\$ 6,158,663	(4,512,897)	\$ 29,952,301

Depreciation expense for the year ended December 31, 2012 was \$1,009,880. Construction in progress at December 31, 2012, is detailed in Note 14 - Commitments.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **(5) Short-Term Debt -**

On April 21, 2009, the District adopted a resolution granting preliminary authorization to proceed with the issuance of not exceeding Twenty Million and no/100 dollars (\$20,000,000) in aggregate amount of water revenue bonds. Based on the cost analysis provided by the District's consulting engineer, the Board determined that the Bonds should be issued in an amount not to exceed Twelve Million and no/100 Dollars (\$12,000,000) and that the placement of the bonds under the Program with the Louisiana Department of Health and Hospitals (DHH) was the most cost-effective financing option for the District. On July 26, 2010, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, the maximum sum of Four Million Dollars (\$4,000,000). Construction was finalized during 2012 and the loan was converted to a bond payable and is referred to as Waterworks Revenue Bonds, Series 2010A issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year. On June 1, 2011, DHH committed to lend to the District, from available moneys in the State Revolving Fund, and under the terms and conditions of the Federal Act, the State Act, the Commitment Agreement, the Loan Agreement and the Bonds, the maximum sum of Eight Million Dollars (\$8,000,000). Once construction is finalized, the loan will be converted to a bond payable and referred to as Waterworks Revenue Bonds, Series 2011 issued at 2.95% with installments of interest due on October 1 and April 1 of each year, with principal installments due on April 1 of each year. The final bond payment schedule will be revised by DHH after final payment of the bonds to the District. In the Loan and Pledge Agreement under section 3.02, it states that upon the payment of each principal draw on the loan, and without any further action on the part of the DHH or the District, thirty percent (30%) of the principal amount of each such draw on the loan shall immediately and irrevocably be deemed to be forgiven by the DHH, up to a maximum amount of principal forgiveness of \$1,125,000, and no interest shall accrue on the principal amount that is so forgiven. The amount of the loan forgiveness is \$702,102 at December 31, 2012.

For the year ended December 31, 2012, the Series 2011 project is in the construction phases, with total bond proceeds received net of principal forgiven reported as Bond Anticipation Note Payable with a balance of \$1,638,238.

#### **(6) Long-Term Debt -**

The following is a summary of long-term obligation transactions for the year ended December 31, 2012:

# WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

Description	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012	Due Within One Year
Long-Term Debt					
General Obligation Bonds	\$ 194,000	\$ -	\$ (29,000)	\$ 165,000	\$ 30,000
2000 DEQ Revenue Bonds	5,785,000	-	(5,785,000)	-	-
2004 Revenue Bonds	6,695,000	-	(6,165,000)	530,000	260,000
2005 DHH Bonds	5,061,000	-	(5,061,000)	-	-
2010A DHH Bonds	-	3,999,000	(169,000)	3,830,000	172,000
2012A Revenue Bonds	-	5,355,000	-	5,355,000	345,000
2012B Revenue Bonds	-	4,540,000	-	4,540,000	-
2012C Revenue Bonds	-	470,000	-	470,000	355,000
2012D Revenue Bonds	-	6,725,000	-	6,725,000	75,000
Deferred Premium on 2004 Revenue Bonds Early Call	(47,110)	-	47,110	-	-
Total Long-Term Debt	\$ 17,687,890	\$ 21,089,000	\$ (17,161,890)	\$ 21,615,000	\$ 1,237,000

### 1977 General Obligation Bonds:

The \$650,000 bonds were issued on November 11, 1977, and are due to the United States Department of Agriculture, Rural Development Service with semi-annual payment installments including principal and interest at 5% through September 1, 2017. The debt service requirements to maturity for the USDA 1977 General Obligation Bonds are as follows:

Year	Principal	Interest	Total
2013	\$ 30,000	\$ 7,500	\$ 37,500
2014	31,000	5,975	36,975
2015	33,000	4,375	37,375
2016	35,000	2,675	37,675
2017	36,000	900	36,900
	<u>\$ 165,000</u>	<u>\$ 21,425</u>	<u>\$ 186,425</u>

### 2004 Waterworks System Revenue Parity Bonds:

The \$8,250,000 bonds were issued on April 1, 2004, with semi-annual payment installments including principal, interest varying from 3.000% to 5.125% through April 1, 2029. The bonds were issued to fund system expansions of \$5,085,000 and to fund the redemption of the 1994 Waterworks Revenue Bonds of \$3,165,000. On June 29, 2012, \$5,915,000 of the 2004 Waterworks System Revenue Bonds were defeased. The debt service requirements to maturity for the remaining portion of the 2004 Waterworks System Revenue Parity Bonds are as follows:



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

Year	Principal	Interest	Total
2013	\$ 260,000	\$ 16,940	\$ 276,940
2014	270,000	5,805	275,805
	<u>\$ 530,000</u>	<u>\$ 22,745</u>	<u>\$ 552,745</u>

#### **2010 Waterworks System Revenue Bonds:**

The \$4,000,000 bonds were issued on July 26, 2010, and are due to the Louisiana Department of Health and Hospitals with semi-annual payment installments including principal, interest at 2.95% and a DEQ .5% administrative fee through April 1, 2030. The bonds were issued through the Louisiana Department of Health and Hospitals through the Drinking Water Revolving Loan Fund to fund the waterworks expansion project. The debt service requirements to maturity for the 2010 Waterworks System Revenue Bonds are as follows:

Year	Principal	Interest	Administrative Fee	Total
2013	\$ 172,000	\$ 110,448	\$ 18,725	\$ 301,173
2014	177,000	105,300	17,853	300,153
2015	181,000	100,020	16,958	297,978
2016	185,000	94,621	16,043	295,664
2017	190,000	89,090	15,105	294,195
2018 to 2022	1,020,000	357,688	60,650	1,438,338
2023 to 2027	1,148,000	197,945	33,562	1,379,507
2028 to 2030	757,000	33,881	5,742	796,623
	<u>\$ 3,830,000</u>	<u>\$ 1,088,993</u>	<u>\$ 184,638</u>	<u>\$ 5,103,631</u>

#### **2012A, 2012B, and 2012C Water Revenue Refunding Bonds:**

On June 29, 2012, the District issued \$5,355,000 Series 2012A, \$4,540,000 Series 2012B, and \$470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds, interest and administrative fees. The Series 2012A bonds have semi-annual payment installments including principal and interest at 2.285% through April 1, 2022. The Series 2012B bonds have semi-annual payment installments including principal and interest at 2.563% through April 1, 2026. The Series 2012C bonds have semi-annual payment installments including principal and interest at 2.75% through April 1, 2014. The debt service requirements to maturity for these Water Revenue Refunding Bonds are as follows:



# WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

### Series 2012A Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 345,000	\$ 118,420	\$ 463,420
2014	505,000	108,709	613,709
2015	520,000	96,998	616,998
2016	530,000	85,002	615,002
2017	545,000	72,720	617,720
2018 to 2022	2,910,000	169,319	3,079,319
	<u>\$ 5,355,000</u>	<u>\$ 651,168</u>	<u>\$ 6,006,168</u>

### Series 2012B Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 116,360	\$ 116,360
2014	190,000	113,925	303,925
2015	315,000	107,454	422,454
2016	320,000	99,316	419,316
2017	330,000	90,987	420,987
2018 to 2022	1,785,000	321,592	2,106,592
2023 to 2026	1,600,000	83,298	1,683,298
	<u>\$ 4,540,000</u>	<u>\$ 932,932</u>	<u>\$ 5,472,932</u>

### Series 2012C Water Revenue Refunding Bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 355,000	\$ 8,044	\$ 363,044
2014	115,000	1,581	116,581
	<u>\$ 470,000</u>	<u>\$ 9,625</u>	<u>\$ 479,625</u>

### **2012D Water Revenue Refunding Bonds:**

On June 29, 2012, the District issued \$6,725,000 Series 2012D Water Revenue Refunding Bonds for the purpose of refunding \$5,915,000 of the outstanding balance of the Series 2004 Waterworks System Revenue Parity Bonds and interest and redemption premium associated with the Series 2004 Bonds. The Series 2012D bonds have semi-annual payment installments including principal and interest at 2.585% through April 1, 2029. The debt service requirements to maturity for the Series 2012D bonds are as follows:

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2012

**Series 2012D Water Revenue Refunding Bonds**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 75,000	\$ 172,871	\$ 247,871
2014	80,000	170,869	250,869
2015	360,000	165,182	525,182
2016	375,000	155,682	530,682
2017	380,000	145,923	525,923
2018 to 2022	2,075,000	573,547	2,648,547
2023 to 2027	2,350,000	287,969	2,637,969
2028 to 2029	1,030,000	26,755	1,056,755
	<u>\$ 6,725,000</u>	<u>\$ 1,698,798</u>	<u>\$ 8,423,798</u>

**Current Year Current Refunding:**

On June 29, 2012, the District issued \$5,355,000 Series 2012A, \$4,540,000 Series 2012B, and \$470,000 Series 2012C Water Revenue Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds and interest and administrative fees. The outstanding principal balance of the Series 2000 DEQ Revenue bonds and the Series 2005 DHH bonds as of the refunding date of June 29, 2012 was \$5,355,000 and \$4,807,000, respectively

The proceeds of the Series 2012A, 2012B, and 2012C Refunding bonds were as follows:

**Proceeds of Refunding Bonds:**

Par Amount of Bonds	<u>\$ 10,365,000</u>
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## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

The sources and uses of the Current Refunding issues are summarized as follows:

#### Sources and Uses of Funds:

##### Sources:

Series 2012A Bonds	\$ 5,355,000
Series 2012B Bonds	4,540,000
Series 2012C Bonds	470,000
Transfer from Existing Debt Service Reserve	183,011
	<u>\$ 10,548,011</u>

##### Uses:

Redemption of Series 2000 Bonds	\$ 5,355,000
Redemption of Series 2005 Bonds	4,807,000
Payment of Accrued Interest on Redeemed Bonds and Administrative Fees	98,213
Cost of Issuance on Bonds	287,798
	<u>\$ 10,548,011</u>

The following is the calculation of cash flow requirements and economic gain:

Old Debt Service Cash Flows		\$ 12,935,002
New Debt Service Cash Flows	12,023,035	
Plus:		
Contribution from Sinking Funds	<u>183,011</u>	<u>12,206,046</u>
Cash Flow Difference		<u>\$ 728,956</u>

#### Economic Gain on Refunding:

Present Value of Old Debt Service Cash Flows		\$ 11,178,384
Present Value of New Debt Service Cash Flow	10,366,847	
Plus:		
Net Contribution from Debt Sinking Funds	<u>183,011</u>	<u>10,549,858</u>
Economic Gain		<u>\$ 628,526</u>

The District refunded the Series 2000 and Series 2005 bonds to decrease total debt service payments over the next 14 years by \$728,956 and to obtain an economic gain of \$628,526.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **Current Year Advance Refunding:**

On June 29, 2012, the District issued \$6,725,000 Series 2012D Water Revenue Refunding bonds for the purpose of refunding \$5,915,000 of the outstanding balance of the Series 2004 Waterworks System Revenue Parity bonds and interest and redemption premium associated with the Series 2004 bonds. The net proceeds of \$6,579,468 (after payment of \$191,791 in cost of issuance) plus an additional \$47,816 of the sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, \$5,915,000 of the 2004 Series Bonds are considered in-substance defeased and the liability for those bonds has been removed from the District's books.

The proceeds of the Series 2012D Refunding bonds were as follows:

#### **Proceeds of Refunding Bonds:**

Par Amount of Bonds	<u>\$ 6,725,000</u>
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The sources and uses of the Advance Refunding issues are summarized as follows:

#### **Sources and Uses of Funds:**

##### Sources:

Series 2012D Bonds	\$ 6,725,000
Transfer from Existing Debt Service Reserve	47,816
	<u>\$ 6,772,816</u>

##### Uses:

Deposit to Escrow Fund	\$ 6,579,468
Rounding Amount	1,557
Cost of Issuance on Bonds	191,791
	<u>\$ 6,772,816</u>

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

The following is the calculation of cash flow requirements and economic gain:

Old Debt Service Cash Flows		\$ 9,102,006
New Debt Service Cash Flows	8,468,224	
Plus:		
Contribution from Sinking Funds	47,816	8,516,040
Cash Flow Difference		\$ 585,966
<u>Economic Gain on Refunding:</u>		
Present Value of Old Debt Service Cash Flows		\$ 7,251,827
Present Value of New Debt Service Cash Flow	6,725,265	
Plus: Net Contribution from Sinking Funds	47,816	
Less: Refunding Funds on Hand	(1,557)	6,771,524
Economic Gain		\$ 480,303

The advance refunding of the Series 2004 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$710,232 which was deferred and is being amortized over the life of the new bonds. The difference is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to operations as a component of interest expense. The District refunded the Series 2004 bonds to decrease total debt service payments over the next 17 years by \$585,966 and to obtain an economic gain of \$480,303.

#### **Deferred Amount on Prior Advanced Refunding:**

On April 1, 1994, the District issued \$4,225,000 in Waterworks Revenue Bonds with an average interest rate of 5.8 percent to advance refund \$1,820,000 of outstanding 1989 series bonds with an average interest rate of 8.6 percent. The District purchased U.S government securities valued at \$2,063,413 and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,820,000 of 1989 series bonds. As a result, \$1,820,000 of the 1989 series bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. Further, on April 1, 2004, the District issued the 2004 Waterworks System Revenue Parity Bonds for \$8,250,000 that paid \$3,165,000 for the redemption of 1994 Waterworks Revenue Bonds.

The 1994 advance refunding of the 1989 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,288. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2019 as a component of interest expense using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by \$187,383 and to obtain an economic gain of \$115,345.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **Debt Service Requirements to Maturity:**

The annual requirements to amortize all long term debt outstanding as of December 31, 2012 including expected interest payments of \$4,425,686 and administration fees of \$184,638 are as follows:

Year Ending	Principal	Interest	Administration Fee	Total
2013	\$ 1,237,000	\$ 550,583	\$ 18,725	\$ 1,806,308
2014	1,368,000	512,164	17,853	1,898,017
2015	1,409,000	474,029	16,958	1,899,987
2016	1,445,000	437,296	16,043	1,898,339
2017	1,481,000	399,620	15,105	1,895,725
2018 to 2022	7,790,000	1,422,146	60,650	9,272,796
2023 to 2027	5,098,000	569,212	33,562	5,700,774
2028 to 2029	1,787,000	60,636	5,742	1,853,378
	<u>21,615,000</u>	<u>4,425,686</u>	<u>184,638</u>	<u>26,225,324</u>

#### **(7) Deferred Outflows of Resources -**

In 2012, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. These statements provide guidance on reporting the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refundings resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At December 31, 2012, the District had a deferred amount on refunding of debt of \$843,054 which is comprised of \$132,822 for the 1994 advanced refunding and \$710,232 for the 2012 advanced refunding of debt.

#### **(8) Long-Term Debt Restricted Assets and Bond Covenant Requirements -**

Ward Two Water District of Livingston Parish, Denham Springs, Louisiana is required to maintain the following reserves as part of debt covenants related to the debt held at December 31, 2012. As of December 31, 2012, debt covenants relate to existing parity bonds, consisting of the 2004 Water Revenue Bonds, 2010 Waterworks System Revenue Bonds, and the Series 2012A, 2012B, 2012C, and 2012D Water Revenue Refunding bonds. The District's compliance with bond covenants as of December 31, 2012, related to required deposits, is detailed below and is followed first by a narrative description of the related bond deposit requirements, and secondly by a description of compliance to bond rate covenants, referenced as "Bond Debt Coverage Ratio", requiring that revenues of the District be sufficient to cover the operating and maintenance and debt service requirements of the outstanding bonds.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

	Sinking Fund	Reserve Fund	Renewal and Replacement Fund	Total
Required Balance	\$ 791,892	\$ 1,900,726	\$ 500,000	\$ 3,192,618
Current Reserved Amount	848,795	2,076,567	500,191	3,425,553
Amount Over (Under) Funded	<u>\$ 56,903</u>	<u>\$ 175,841</u>	<u>\$ 191</u>	<u>\$ 232,935</u>

#### **Sinking Fund Requirements**

Bond covenants require the maintenance of a separately identifiable fund or account designated as the "Sinking Fund" into which deposits are required in sufficient amount to pay promptly and fully the interest and principal installments of the "Bonds and the Parity Obligations" as the required payments become due, by transferring from the Revenue Fund to the Sinking Fund monthly on or before the 20th day of each month of each year a sum equal to 1/6 of the interest and administrative fee falling due on the Bonds on the next interest payment date, and a sum equal to 1/12 of the principal falling due on the Bonds on any principal date within the next twelve months, together with any proportionate monthly sum as may be required to pay said principal, interest, and administrative fee as they become due. The bond covenants language and requirements apply to existing Parity obligations, including the 2004 Water Revenue Bonds, 2010 Waterworks System Revenue Bonds, and the Series 2012A, 2012B, 2012C, and 2012D Water Revenue Refunding bonds.

At December 31, 2012, the District Sinking Fund bond deposits requirements were over funded by \$56,903 for the 2004, 2010, 2012A, 2012B, 2012C, and 2012D bond issues. The District made the required installments for the year ended December 31, 2012.

#### **Bond Reserve Fund**

Bond Reserve Fund covenants require the maintenance of a separately identifiable account designated as the "Reserve Fund" into which is to be deposited monthly, on or before the 20th day of each month of each year, a sum at least equal to 25 percent of the amount required to be paid into the Sinking Fund for each month with respect to the Bonds, until such time as there has been accumulated therein a sum equal to the highest amount of principal and interest due in any given year on the Bonds (the "Reserve Fund Requirement"), the 2004 Water Revenue Bonds, 2010 Waterworks System Revenue Bonds, and the Series 2012A, 2012B, 2012C, and 2012D Water Revenue Refunding bonds and any additional Parity Obligations hereafter issued. The 2012 Water Revenue Refunding Bonds were issued in parity with existing bond obligations and bond covenants specify that the payments to the Reserve Fund shall be increased or otherwise adjusted to the amounts as will assure that there will be accumulated in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of such additional parity obligations an amount of money equal to the Reserve Fund Requirement. The District chose to increase monthly payments over 5 years to fund the

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

increased installment requirements for the 2012 Water Revenue Refunding bonds. At December 31, 2012, the District maintained a balance of \$2,076,567 which was \$175,841 more than the bond deposit requirements at year end. Bond covenants require that the monies in the Reserve Fund be retained solely for the purpose of paying the principal of and interest on the Bonds payable as to which there would otherwise be default.

#### **Renewal and Replacement Fund**

The Renewal and Replacement Fund is established pursuant to the 2004 Bond Resolution, and is restated in 2012 Water Revenue Refunding bonds' Revenue Bond Resolution to apply to any subsequent Outstanding Parity Bonds. The Fund is established to pay for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by transferring from the Revenue Fund to the Renewal and Replacement Fund monthly on or before the twentieth day of each month of each year, a sum equal to five percent of the Gross Revenues of the System for the preceding month, provided that such sum is available after provisions are made for the payments required. Such payments to the Renewal and Replacement Fund shall continue until such time as there has been accumulated in said Fund the sum of \$500,000 (the "Renewal and Replacement Fund Requirement"), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the Renewal and Replacement Fund Requirement, in which event such payments shall be resumed and continue until said Renewal and Replacement is again accumulated.

In addition to caring for extensions, additions, improvements, renewal and replacements necessary to properly operate the System, the money in the Renewal and Replacement Fund may also be used to pay the principal of and the interest on the Bonds and the Outstanding Parity Bonds, for the payment of which there is not sufficient money in the Sinking Fund and Reserve Fund and any Parity Obligations issued hereafter in the manner provided by the Bond Resolution for the payment of which there is not sufficient money in the Sinking fund and Reserve Fund , but the money in said Renewal and Replacement Fund shall not be used for the making of improvements and extensions to the System (other than emergency repairs or replacements) or for the payment of principal of or interest on the Bonds or the Outstanding Parity Bonds if the use of said money will leave in the said Renewal and Replacement Fund for the making of emergency repairs or replacement less than the sum of ten percent of the Renewal and Replacement Fund Requirement.

For the year ended December 31, 2012, the Renewal and Replacement Fund was fully funded with a balance of \$500,191.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **Bond Debt Coverage Ratio**

Bond covenants of the outstanding parity obligations require the District to fix, establish, levy and collect, so long as any principal and interest is unpaid on the Bonds and any Parity Obligations, such rates, fees, rents, or other charges for services and facilities of the System and all parts thereof, and revise the same from time to time whenever necessary as will always provide revenues in each fiscal year sufficient to pay operations and maintenance expenses in each fiscal year and provide net revenues in each fiscal year in an amount equal to at least one hundred twenty-five percent of the required deposits to the Sinking Fund established in the Series 2004 Bond Resolution, Series 2010 Bond Resolution, Series 2012 Bond Resolution and any resolution relating to additional Parity Obligations. The covenants require that such rates, fees, rents, or other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for the foregoing purposes.

The calculated bond debt coverage ratio for existing Parity Obligations, including Series 2004 bonds, Series 2010 bonds and Series 2012 bonds exceeded the 125 percent ratio for the year ended December 31, 2012.

#### **(9) Restricted and Designated Net Position -**

At December 31, 2012, the District recorded \$3,421,935 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

#### **(10) Risk Management -**

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There have been no significant decreases in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

#### **(11) Litigation -**

There is no outstanding litigation at December 31, 2012 for Ward Two Water District of Livingston Parish for which the District would expect an unfavorable outcome.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **(12) Compensated Absences and Retirement Plan -**

At December 31, 2012, the employees of the District have accumulated and vested \$39,973 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The District has no plan or provision for other post employment benefits.

The District does not belong to a retirement system; however, the District contributes to the Social Security System as required by law. In September 2012, the District adopted a 457(b) deferred compensation plan and the District elected to match employee contributions up to a maximum of 3 percent. The District terminated its self-employed retirement plan (SEP) after the adoption of the new plan. The District contributed \$24,985 into the SEP and 457(b) plans during 2012. Under the 457(b) plan, the District's contributions are vested based on an employee's years of service in accordance with the terms of the Adoption Agreement.

#### **(13) Compensation Paid to Board Members -**

Compensation paid to the board members for 2012 were as follows:

<u>Name / Contact Number</u>	<u>Title</u>	<u>Address and Telephone</u>	<u>Compensation Received</u>
Theodore Graham (225) 664-9189	President	33550 Cane Market Road Walker, LA 70785	\$ 1,700
John Easterly (225) 665-9794	Vice-President	37917 Louisiana Highway 16 Denham Springs, LA 70706-0334	1,400
Stanley Spillman (225) 665-2669	Secretary - Treasurer	P.O. Box 692 Watson, LA 70786	1,600
Shyrl Westmoreland (225) 664-2597	Board Member	29709 Bickford Lane Denham Springs, LA 70726	1,600
Shevis Ball (225) 938-1775	Board Member	39765 Louisiana Highway 16 Denham Springs, LA 70706-0204	1,800
			<u>\$ 8,100</u>

Board members serve continuous terms per Livingston Parish Council appointment and approval.

# WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

### (14) Commitments -

Following is a schedule that lists the various projects and projected costs of each along with amounts spent to date:

Project Name	Contract Amount	Spent to Date	Remaining Commitment
<b>Current Bond Projects</b>			
Linder Road Ground Storage Tank	\$ 889,438	\$ 889,438	\$ -
Linder Road Tank Waterline Extension	10,410	10,410	-
Ball Park Water Well	676,098	676,098	-
Repair & Repaint Two Elevated Tanks	119,832	119,832	-
Ball Park Waterline Extension	13,957	11,562	2,395
Forest Delatte Waterline Extension	74,216	40,401	33,815
Highway 190 Tank	1,216,783	69,783	1,147,000
Engineering and Consulting	512,238	512,238	-
Other Costs	63,489	63,489	-
Total Current Bond Projects	<u>3,576,461</u>	<u>2,393,251</u>	<u>1,183,210</u>
<b>Other Projects</b>	<u>73,936</u>	<u>73,936</u>	<u>-</u>
Total Incomplete Construction at December 31, 2012	<u>\$ 3,650,397</u>	<u>\$ 2,467,187</u>	<u>\$ 1,183,210</u>

Total construction period interest costs of \$25,437 were capitalized in 2012. Construction period interest costs of \$25,437 from the current period remains in Construction in Progress at December 31, 2012. These costs cannot be depreciated because they have been allocated to projects that are not substantially complete.

### (15) Current Accounting Pronouncements -

The Governmental Accounting Standards Board issued GASB Statement No. 66 - "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This Statement will be required to be adopted by the District for year ending December 31, 2013.

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees - both active employees and inactive employees - are provided with pensions. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations and the resources available to satisfy those obligations. An additional objective of this Statement is to improve the information provided in government financial reports about pension-related financial support provided by certain nonemployer entities that make contributions to pension plans that are used to provide benefits to the employees of other entities. This statement will be required to be adopted by the District for year ending December 31, 2014.

Statement No. 67, Financial Reporting for Pension Plans, establishes standards of financial reporting for defined benefit pension plans and defined contribution pension plans that are used to provide pensions that are within the scope of this Statement. The two Statements are closely related in some areas, and certain provisions of this Statement refer to Statement 68. This Statement will be required to be adopted by the District for year ending December 31, 2015.

Management is currently evaluating the effects of the new GASB pronouncements scheduled for implementation for year ending December 31, 2013. Management currently believes the implementation of GASB 66 will not have a material effect on the District's financial statements.



## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

#### **(16) Land Mitigation Cost -**

In the prior year, the District received a cease and desist order from the US Army Corp of Engineers on improvements to their Springfield Road property. The Springfield Road property contains wetlands on it and the District was not aware that it needed a permit from the US Army Corp of Engineers in order to make improvements on the land. The District had already cleared and filled in the wetlands and were planning on additional improvements including additional filling-in and a future building. The District's management decided to continue the improvements and utilize the property including the portion that is determined to be wetlands and applied to purchase wetland credits from an approved mitigation bank. The District hired an environmental consultant and submitted an after-the-fact permit on August 31, 2012. The environmental consultant calculated the required mitigating credits and management has estimated the cost to mitigate the land the District improved. At December 31, 2012, a liability in the amount of \$71,400 has been accrued and land mitigation cost in a corresponding amount has been charged to non-operating expenses for 2012.

#### **(17) Change in Accounting Principle -**

The District elected to early adopt GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Under GASB Statement 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as expense in the period incurred. The District had incurred debt issuance cost in 2011 and prior years. These costs were previously capitalized as assets and amortized as expense over the duration of the related debt. GASB 65 adopted a definition of cost of issuance on debt by identifying which costs are subject to capitalization. The costs paid by the District for debt issuance no longer met the GASB definition. In order to conform to GASB 65, the District removed Deferred Bond Issuance Costs and reduced net position as if the cost was expensed in the period incurred. The following items have been restated as follows:

	December 31, 2011	December 31, 2010
Net Position, as Previously Reported	\$ 11,913,040	\$ 10,986,907
Debt Issuance Cost Adjustment	(337,986)	(280,740)
Net Position, As Restated	<u>\$ 11,575,054</u>	<u>\$ 10,706,167</u>

The District also adopted the provisions of GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 - *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources and Net Position*. The adoption of GASB 62 did not require any changes to the financial statements of the District; however, GASB 63 required the District to use the term Net Position instead of Net Assets. See footnote 7 for additional changes resulting from adopting GASB 63 and 65.

## **OTHER SUPPLEMENTAL INFORMATION**

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Operating Revenues:</b>				
Water Sales	\$ 5,300,000	\$ 4,950,000	\$ 4,946,969	\$ (3,031)
Water Tap Fees	165,000	141,500	121,350	(20,150)
Service Charges	170,000	182,000	173,160	(8,840)
Penalty Charges	70,000	82,000	79,228	(2,772)
Sewer Billing Fees	63,000	70,000	61,247	(8,753)
Other	65,000	72,000	71,923	(77)
Total Operating Revenues	5,833,000	5,497,500	5,453,877	(43,623)
<b>Operating Expenses:</b>				
<b>Personal Services and Benefits:</b>				
Salaries and Wages	975,000	990,000	985,320	4,680
Director's Fees	6,000	8,300	8,100	200
Employee Benefits and Payroll Taxes	383,000	394,000	386,437	7,563
	1,364,000	1,392,300	1,379,857	12,443
<b>Bad Debts</b>	3,000	3,000	11,896	(8,896)
<b>Bank Card Charges and Fees</b>	60,000	64,000	63,805	195
<b>Contractual Services:</b>				
Meter Reading	165,000	150,000	160,547	(10,547)
Professional Fees	200,000	163,000	136,485	26,515
Telemetry	33,000	33,000	36,000	(3,000)
	398,000	346,000	333,032	12,968
<b>Depreciation</b>	920,000	935,000	1,009,880	(74,880)
<b>Insurance</b>	175,000	182,000	168,115	13,885
<b>Office Expense:</b>				
Advertising	7,000	5,000	4,161	839
Computer and Printer Supplies	53,000	40,000	53,419	(13,419)
Miscellaneous	22,000	23,000	27,438	(4,438)
Postage	110,000	110,000	90,181	19,819
	192,000	178,000	175,199	2,801
<b>Repairs and Maintenance</b>	661,500	411,500	365,448	46,052
<b>Supplies:</b>				
Chlorination	43,000	43,000	40,402	2,598
Miscellaneous	25,000	27,000	31,036	(4,036)
Supplies	21,000	17,000	60,267	(43,267)
	89,000	87,000	131,705	(44,705)

(CONTINUED)



WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Operating Expenses (Continued):</b>				
<b>Utilities:</b>				
Utilities	230,000	208,000	197,818	10,182
Telephone	35,000	34,000	32,807	1,193
	<u>265,000</u>	<u>242,000</u>	<u>230,625</u>	<u>11,375</u>
<b>Vehicle Expense</b>	<u>105,000</u>	<u>116,000</u>	<u>100,639</u>	<u>15,361</u>
Total Operating Expenses	<u>4,232,500</u>	<u>3,956,800</u>	<u>3,970,201</u>	<u>(13,401)</u>
Operating Income	<u>1,600,500</u>	<u>1,540,700</u>	<u>1,483,676</u>	<u>(57,024)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest Income	12,000	5,000	2,620	(2,380)
Interest Expense	(875,000)	(860,000)	(679,934)	180,066
Loan Forgiveness	-	-	702,102	702,102
Gain (Loss) on Disposal of Assets	-	37,750	(7,537)	(45,287)
Debt Issuance Cost	-	-	(481,145)	(481,145)
Land Mitigation Cost	-	-	(71,400)	(71,400)
Other Income	62,000	60,750	66,428	5,678
Other Expense	<u>(15,000)</u>	<u>(15,000)</u>	<u>(1,346)</u>	<u>13,654</u>
Total Nonoperating Revenues (Expenses)	<u>(816,000)</u>	<u>(771,500)</u>	<u>(470,212)</u>	<u>301,288</u>
<b>Change in Net Assets</b>	<u>784,500</u>	<u>769,200</u>	<u>1,013,464</u>	<u>244,264</u>
<b>Net Assets - Beginning of Year, as Restated</b>	<u>11,575,054</u>	<u>11,575,054</u>	<u>11,575,054</u>	<u>-</u>
<b>Net Assets - End of Year</b>	<u>\$ 12,359,554</u>	<u>\$ 12,344,254</u>	<u>\$ 12,588,518</u>	<u>\$ 244,264</u>

See auditor's report.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF INSURANCE COVERAGE IN FORCE

FOR THE YEAR ENDED DECEMBER 31, 2012

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Arch Insurance Policy Number GWPKG0122701	Commercial Package Policy: Property and Inland Marine Coverage Real and Personal Property Owned  Mobile Equipment Owned  Property Deductible per occurrence Inland Marine Deductible per occurrence General Liability Bodily Injury and Property Damage Per Occurrence Aggregate Personal Injury and Advertising Injury Per Person or Organization Aggregate Professional Liability Per Claim Aggregate Deductible per error or omission Wrongful Acts Per Claim Aggregate Deductible per wrongful act Employee Benefits Liability Per Person Aggregate Damage to Premises Rented Any One Premises Employee Practices Liability Per Claim Aggregate Crime Coverage Employee Dishonesty (\$1,000 Deductible) Forgery and Alteration (\$1,000 Deductible) Theft Disappearance and Destruction Inside (\$1,000 Deductible) Outside (\$1,000 Deductible) Computer Fraud (\$1,000 Deductible)	Per Schedule on File  Per Schedule on File  2,500 1,000   1,000,000 3,000,000  1,000,000 3,000,000  1,000,000 3,000,000 1,000  1,000,000 3,000,000 100,000  1,000,000 3,000,000  1,000,000 100,000  50,000 50,000 50,000	10/31/2012 to 10/31/2013

(CONTINUED)



**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**  
**SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)**

FOR THE YEAR ENDED DECEMBER 31, 2012

Insurance Company / Policy Number	Coverage	Amount	Policy Period
Arch Insurance (Continued)			
Policy Number	Automobile Coverage		10/31/2012 to
GWPKG0122701	Physical Damage	Per Schedule on File	10/31/2013
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Excess Insurance Coverage		
	Any One Occurrence Limit	4,000,000	
	Annual Aggregate Limit	4,000,000	
Evanston Insurance Company			
Policy Number DB-500214	Data Breach and Privacy Liability Coverage		10/31/2012 to
DB-500214	Each Claim	1,000,000	10/31/2013
	Policy Aggregate	1,000,000	
	Deductible	2,500	
Travelers Casualty and Surety			
Insurance Company	Identity Fraud Expense Reimbursement		10/31/2012 to
Policy Number NA	Insured Person for Each Identity Fraud	25,000	10/31/2013
Louisiana Workers			
Compensation Corporation	Workers Compensation Insurance		10/31/2012 to
Policy Number 77205-B	State of Louisiana Coverage Only		10/31/2013
	Employers Liability Insurance		
	Bodily Injury by Accident - Each Accident	1,000,000	
	Bodily Injury by Disease - Policy Limit	1,000,000	
	Bodily Injury by Disease - Each Employee	1,000,000	

See auditor's report.

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

SCHEDULE OF WATER RATES, TAP FEES AND NUMBER OF CUSTOMERS

FOR THE YEAR ENDED DECEMBER 31, 2012

Water Fees		Tap Fees	
		Inch Tap	Fee
First 2,000 Gallons	\$ 11.50	3/4" Tap	\$ 385
Per Next 1,000 Gallons of Water up to 5,000 Gallons	2.52	1" Tap	\$ 560
Per Next 1,000 Gallons of Water up to 10,000 Gallons	2.12	1 1/2" Tap	\$ 650
Per Next 1,000 Gallons of Water over 10,000 Gallons	1.37	2" Tap	\$ 750
		4" Tap	Varies
Customers			
Residential	17,078		
Nonresidential	1,047		
Total Customers	<u>18,125</u>		

See auditor's report.

**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor/ Pass - Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>United States Environmental Protection Agency</u>			
Passed Through Louisiana Department of Health and Hospitals:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	<u>\$2,011,711</u>
Total Expenditures of Federal Awards			<u><u>\$2,011,711</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.



**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED DECEMBER 31, 2012

Note A - Significant Accounting Policies -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ward Two Water District of Livingston Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See auditor's report.

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT  
OF THE COMPONENT UNIT FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

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May 21, 2013

INDEPENDENT AUDITOR'S REPORT

Board Members of  
Ward Two Water District of Livingston Parish  
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Ward Two Water District of Livingston Parish (the District), (a component unit of the Livingston Parish Council), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated May 21, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

## **The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Harris J. Bourgeois, CPA*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

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May 21, 2013

INDEPENDENT AUDITOR'S REPORT

Board Members of  
Ward Two Water District of Livingston Parish  
Denham Springs, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Ward Two Water District of Livingston Parish's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2012. The District's major federal program is identified in the summary of auditor's result's section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Ward Two Water District of Livingston Parish complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Harris J. Bourgeois, LLP*

## WARD TWO WATER DISTRICT OF LIVINGSTON PARISH

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2012

- A. As required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of our audit:

#### Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- |   |           |                       |
|---|-----------|-----------------------|
| • Material weaknesses identified?                     | _____ Yes | <u>  x  </u> No       |
|   |           | None                  |
| • Significant deficiencies identified?                | _____ Yes | <u>  x  </u> Reported |
| Noncompliance material to financial statements noted? | _____ Yes | <u>  x  </u> No       |

#### Federal Awards

Internal control over major programs:

- |  |           |                       |
|--|-----------|-----------------------|
| • Material weaknesses identified?      | _____ Yes | <u>  x  </u> No       |
|  |           | None                  |
| • Significant deficiencies identified? | _____ Yes | <u>  x  </u> Reported |

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB	_____ Yes	<u>  x  </u> No
--	-----------	-----------------

- The following program was tested as a Type "A" major program:

Federal Grantor/  
Pass - Through Grantor/  
Program Name

CFDA  
Number

#### United States Environmental Protection Agency

Passed Through Louisiana Department  
of Health and Hospitals:  
Capitalization Grants for Drinking Water  
State Revolving Funds

66.468

- The threshold for distinguishing Types A and B programs was \$300,000
- The District was determined to be a low-risk auditee.



**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**B. Internal Control Over Financial Reporting**

None

**C. Compliance and Other Matters**

**Finding 2012-01 Compliance with Bid Laws**

**Criteria:**

According to Louisiana R.S. 38:2212.1 for purchases of materials or supplies totaling between \$10,000 and less than \$30,000, state and local governmental entities are required to obtain at least three telephone or facsimile quotes, obtain written confirmation of the accepted offer for the file, and if a lower bid than the accepted bid is not accepted, the reason for the rejection must be noted.

**Condition:**

During 2012, the District purchased a vehicle from a local dealership for \$25,668. The dealership included a "State Concession/Discount" to reduce the purchase price. The District did not obtain three quotes as required by state law because they were under the impression that the "State Concession/Discount" was part of state contract purchasing.

**Effect:**

The District has a compliance violation of Louisiana R.S. 38:2212.1 because they purchased a vehicle costing \$25,668 after receiving only one quote. They should have obtained at least three quotes in accordance with Louisiana R.S. 38:2212.1.

**Recommendation:**

We recommend that the District follow Louisiana public bid laws when purchasing materials and supplies.

**Management's Response:**

The District was informed about a "State Concession" price, while looking to replace a vehicle. The state concession price was a significant savings over regular price. The District was led to believe that the state concession price was similar to the state contract price and additional quotes were not required. We should have verified this information before proceeding with the purchase. In the future, the District will obtain at least three quotes when purchasing items not on the state contract list.



**WARD TWO WATER DISTRICT OF LIVINGSTON PARISH**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**A. Internal Control Over Financial Reporting**

None

**B. Compliance and Other Matters**

None